

Summary of Financial Results for the First half of the Fiscal Year Ending March 31, 2015

November 12, 2014

TSUGAMI CORPORATION

Stock code: 6101

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Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: Yes (for institutional investors and analysts)

1. Consolidated business performance for the first half of the fiscal year ending March 31, 2015

(From April 1, 2014 to September 30, 2014)

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results (cumulative totals)

(Figures in percentages denote the year-on-year change.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|-------------|-------|------------------|-------|-----------------|-------|-------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| H1 of the fiscal year ending March 31, 2015 | 29,703 | 91.0 | 4,756 | 500.2 | 4,877 | 249.1 | 3,405 | 285.3 |
| H1 of the fiscal year ended March 31, 2014 | 15,551 | -54.8 | 792 | -85.9 | 1,397 | -72.0 | 883 | -71.8 |

(Note): Comprehensive income: H1 of the fiscal year ending March 31, 2015: 4,103 million yen (217.2%)

H1 of the fiscal year ended March 31, 2014: 1,293 million yen (-29.5%)

| | Net income per share | | Net income per share after residual equity adjustment | |
|---|----------------------|--|---|--|
| | Yen | | Yen | |
| H1 of the fiscal year ending March 31, 2015 | 47.21 | | 46.40 | |
| H1 of the fiscal year ended March 31, 2014 | 12.05 | | 11.90 | |

(2) Consolidated financial position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|---|--------------|-------------|------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| H1 of the fiscal year ending March 31, 2015 | 60,942 | 35,252 | 56.7 | 479.56 |
| Fiscal year ended March 31, 2014 | 52,250 | 31,587 | 59.3 | 428.18 |

(Reference): Shareholders' equity: H1 of the fiscal year ending March 31, 2015: 34,570 million yen

Fiscal year ended March 31, 2014: 30,981 million yen

2. State of dividends

| (Base date) | Dividends per share | | | | |
|--|---------------------|-----------|-----------|-----------|--------|
| | End of Q1 | End of Q2 | End of Q3 | End of FY | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2014 | -- | 6.00 | -- | 6.00 | 12.00 |
| Fiscal year ending March 31, 2015 | -- | 6.00 | | | |
| Fiscal year ending March 31, 2015 (forecast) | | | -- | 6.00 | 12.00 |

(Note) Revision of dividend forecasts for the quarter under review: none

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|-----------|-------------|------|------------------|-------|-----------------|-------|-------------|----|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full-year | 50,000 | 55.2 | 6,700 | 465.7 | 6,500 | 236.3 | 4,600 | -- | 63.79 |

(Note) Revision of consolidated business performance forecasts for the quarter under review: yes

*Notes

(1) Important changes in subsidiaries during the first half under review
(changes in specified subsidiaries that caused the scope of consolidation to change): none
Companies added to the scope: -- companies (names)
Companies removed from the scope: -- companies (names)

(2) Application of peculiar accounting treatment for quarterly consolidated financial statements: none

(3) Changes in accounting policy and in accounting estimates, and restatements
(i) Changes in accounting policy due to the revision of accounting standards and the like: yes
(ii) Changes in accounting policy other than those stated in item (i) above: none
(iii) Changes in accounting estimates: none
(iv) Restatements: none

(4) Numbers of outstanding shares (common shares)
(i) Numbers of outstanding shares at the end of the terms
(including treasury shares):
(ii) Numbers of treasury shares at the end of the terms:
(iii) Average numbers of shares outstanding during the
periods (quarterly consolidated accumulation periods):

| | | | |
|--------------|-------------------|--------------|-------------------|
| H1 of FY2014 | 74,919,379 shares | FY2013 | 74,919,379 shares |
| H1 of FY2014 | 2,831,525 shares | FY2013 | 2,562,250 shares |
| H1 of FY2014 | 72,131,076 shares | H1 of FY2013 | 73,369,751 shares |

* State of quarterly review execution

This quarterly financial summary falls outside the scope of quarterly reviews based on the Financial Instruments and Exchange Act. Reviews of the quarterly financial statements presented herein in compliance with the Financial Instruments and Exchange Act had not been completed at the time this quarterly financial summary was disclosed.

* Explanations for the appropriate use of business forecasts and other items warranting special mention

The forward-looking statements, including business forecasts, included in this document are based on information available on the date of announcement and certain assumptions we consider reasonable. Actual performance may differ materially from the statements due to a range of factors. For assumptions for business forecasts and notes on the use of business forecasts, please refer to "Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first half.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first half under review, certain sectors of the Japanese economy were adversely affected by the reaction to the spike in demand before the consumption tax hike, but overall the economy continued to recover moderately.

In the machine tool industry, the domestic market showed moderate upward momentum, which continued from the previous fiscal year. The European and U.S. markets remained strong. The Chinese market recovered moderately overall, driven by EMS associated with smartphones, but uncertainty is emerging about the second half of the fiscal year.

In this environment, both net sales and income at TSUGAMI Corporation (the "Company") and its affiliates (the "Group") rose year on year, primarily reflecting sales of products for the IT products industry and the contribution of new products for automobiles.

Net sales, operating income, and ordinary income for the first half were 29,703 million yen (increased 91.0% year on year), 4,756 million yen (increased 500.2% year on year), and 4,877 million yen (increased 249.1% year on year), respectively. Net income was 3,405 million yen (increased 285.3% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 60,942 million yen at the end of the first half under review, rising 8,692 million yen from the end of the previous fiscal year. The increase resulted primarily from an increase of 7,689 million yen in trade notes and accounts receivable and 2,527 million yen increase in inventories, which offset a 2,465 million yen decrease in cash and deposit.

Liabilities came to 25,689 million yen, up 5,026 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 2,416 million yen in trade notes and accounts payable and a 2,445 million yen increase in short term borrowings.

Net assets stood at 35,252 million yen at the end of the first half under review, increasing 3,665 million yen from the end of the previous fiscal year. The growth mainly reflected an increase of 3,405 million yen in net income and 429 million yen in translation adjusted offsetting 434 million yen decrease in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 56.7%, declining 2.6 percentage points from the end of the previous fiscal year.

(ii) State of cash flows during the half under review

Cash and cash equivalents amounted to 3,626 million yen at the end of the first half under review, decreasing 2,418 million yen from the end of the previous fiscal year. A description of each cash flow during the first half was as follows:

(Cash flows from operating activities)

Cash used for operating activities was 2,837 million yen (increased 1,838 million yen previous year).

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 4,826 million yen, depreciation and amortization expenses of 528 million yen, and 1,909 million yen increase in trade notes and accounts payable, which offset decrease in cash, such as a 7,478 million yen rise in trade notes and accounts receivable, 1,738 million yen increase in inventories and 1,378 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,013 million yen (increased 33 million yen previous year).

The cash outflow was primarily attributable to decrease in cash that resulted from a 703 million yen outlay for the acquisition of tangible fixed assets and 382 million yen outlay for the acquisition of intangible fixed assets.

(Cash flows from financing activities)

Cash generated by financing activities was 1,373 million yen (decreased 815 million yen previous year).

The cash inflow resulted mainly from increases in short term borrowings of 2,028 million yen, which offset decrease in expenditure for acquisition of treasury stock of 265 million yen and dividends paid of 434 million yen.

(3) Information Relating to Consolidated Business Performance Forecasts

The consolidated business performance forecasts for the fiscal year ending March 31, 2015 have been revised based on the results in the first half under review. For details, please refer to the Notice of Revisions to Business Performance Forecasts published on November 12, 2014.

We plan to pay annual dividends of 12 yen per share including interim dividends of 6 yen per share and year-end dividends of 6yen per share, for the fiscal year ending March 31, 2015.

2. Summary information (notes)

Changes in accounting policy and in accounting estimates, and restatements

Changes in accounting policy

(Application of Accounting Policies for Retirement Benefits)

We have reviewed the method for calculating retirement benefit obligations and service costs and have changed the method for allocating expected retirement benefits to periods from a fixed-amount method to a projected benefit method and the discount rate from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period by applying the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and in the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012. Hereinafter the "Guidance on Accounting Standard for Retirement Benefits") from the first half under review.

The application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the first half under review.

As a result, the net defined benefit liability declined 168 million yen, and retained earnings rose 108 million yen at the beginning of the first half under review. The effect on earnings in the first half under review is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | (Million yen) | |
|---|--|---|
| | Figures at the end of the previous consolidated fiscal year (As of March 31, 2014) | Figures at the end of the consolidated first half under review (As of September 30, 2014) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,227 | 3,762 |
| Trade notes and accounts receivable | 6,686 | 14,376 |
| Products and other commodities | 7,374 | 8,498 |
| Goods in process | 4,631 | 5,353 |
| Raw materials and supplies | 8,953 | 9,633 |
| Consumption taxes receivable | 876 | 855 |
| Deferred tax assets | 577 | 486 |
| Other | 746 | 415 |
| Allowance for doubtful accounts | -120 | -101 |
| Total current assets | 35,953 | 43,280 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 5,142 | 5,191 |
| Machinery, equipment and vehicles (net) | 3,906 | 3,950 |
| Land | 564 | 564 |
| Leased assets (net) | 25 | 21 |
| Construction in progress | 473 | 1,030 |
| Other (net) | 307 | 332 |
| Total tangible fixed assets | 10,420 | 11,090 |
| Intangible fixed assets | 328 | 717 |
| Investments and other assets | | |
| Investment securities | 4,247 | 4,576 |
| Stocks of affiliates | 11 | 11 |
| Investments in affiliates | 1,107 | 1,108 |
| Long-term loans receivable | 6 | 6 |
| Deferred tax assets | 1 | 1 |
| Other | 167 | 147 |
| Total investments and other assets | 5,541 | 5,851 |
| Total fixed assets | 16,290 | 17,659 |
| Deferred assets | 5 | 2 |
| Total assets | 52,250 | 60,942 |

| | (Million yen) | |
|---|---|--|
| | Figures at the end of the previous consolidated fiscal year (As of March 31, 2014) | Figures at the end of the consolidated first half under review (As of September 30, 2014) |
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 10,630 | 13,046 |
| Short-term borrowings | 6,075 | 8,520 |
| Accrued income tax | 1,113 | 893 |
| Reserve for bonus payment | 246 | 287 |
| Reserve for product warranties | 277 | 259 |
| Other | 973 | 1,302 |
| Total current liabilities | 19,316 | 24,310 |
| Long-term liabilities | | |
| Deferred tax liabilities | 327 | 585 |
| Reserve for directors' retirement benefits | 14 | 16 |
| Net defined benefit liability | 946 | 722 |
| Other | 58 | 54 |
| Total long-term liabilities | 1,346 | 1,379 |
| Total liabilities | 20,663 | 25,689 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 12,345 | 12,345 |
| Capital surplus | 5,889 | 5,884 |
| Retained earnings | 11,424 | 14,478 |
| Treasury stock | -1,079 | -1,237 |
| Total shareholders' equity | 28,579 | 31,470 |
| Accumulated other comprehensive income | | |
| Unrealized gains on marketable securities | 1,391 | 1,615 |
| Translation adjustments | 1,134 | 1,563 |
| Remeasurements of defined benefit plans | -123 | -78 |
| Total accumulated other comprehensive income | 2,401 | 3,100 |
| Subscription rights to shares | 605 | 682 |
| Total net assets | 31,587 | 35,252 |
| Total liabilities and net assets | 52,250 | 60,942 |

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

| | (Million yen) | |
|--|---|--|
| | Consolidated first half previous year (From April 1, 2013 to September 30, 2013) | Consolidated first half under review (From April 1, 2014 to September 30, 2014) |
| Net sales | 15,551 | 29,703 |
| Cost of sales | 11,831 | 21,669 |
| Gross profit | 3,720 | 8,034 |
| Selling, general and administrative expenses | | |
| Salaries and allowances | 640 | 764 |
| Provision for allowance for doubtful accounts | 8 | -- |
| Provision for reserve for bonus payments | 69 | 52 |
| Retirement benefit expenses | 42 | 37 |
| Provision for reserve for directors' retirement benefits | 2 | 2 |
| Research and development expenses | 746 | 570 |
| Insurance premiums | 67 | 86 |
| Provision for reserve for product warranties | 158 | -26 |
| Other | 1,191 | 1,789 |
| Total selling, general and administrative expenses | 2,927 | 3,278 |
| Operating income | 792 | 4,756 |
| Non-operating income | | |
| Interest received | 10 | 6 |
| Dividends received | 28 | 38 |
| Foreign exchange gains | 678 | 561 |
| Insurance benefits received | 12 | 0 |
| Other | 64 | 46 |
| Total non-operating income | 794 | 653 |
| Non-operating expenses | | |
| Interest paid | 69 | 128 |
| Loss on sale of notes | 54 | 62 |
| Payment fee | -- | 264 |
| Other | 65 | 77 |
| Total non-operating expenses | 190 | 532 |
| Ordinary income | 1,397 | 4,877 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 72 | 0 |
| Gain on sales of investments securities | -- | 2 |
| Total extraordinary income | 72 | 2 |
| Extraordinary expenses | | |
| Loss on retirement of fixed assets | 7 | 7 |
| Loss on sales of fixed assets | 12 | 28 |
| Loss on sales of investment securities | 271 | -- |
| Loss on liquidation of business | -- | 16 |
| Total extraordinary expenses | 292 | 53 |
| Income before taxes and other adjustments | 1,177 | 4,826 |
| Corporate, inhabitant and enterprise taxes | 242 | 1,257 |
| Deferred taxes | 51 | 162 |
| Total corporate and other taxes | 294 | 1,420 |
| Income before minority interests | 883 | 3,405 |
| Minority interests in income | -- | -- |
| Net income | 883 | 3,405 |

(Consolidated Statements of Comprehensive Income)

| | (Million yen) | |
|--|---|--|
| | Consolidated first half previous year (From April 1, 2013 to September 30, 2013) | Consolidated first half under review (From April 1, 2014 to September 30, 2014) |
| Income before minority interests | 883 | 3,405 |
| Other comprehensive income | | |
| Unrealized gains on marketable securities | 157 | 224 |
| Translation adjustments | 252 | 429 |
| Remeasurements of defined benefit plans | -- | 44 |
| Total other comprehensive income | 409 | 698 |
| Comprehensive Income | 1,293 | 4,103 |
| (Breakdown) | | |
| Comprehensive income attributable to the shareholders of the parent company | 1,293 | 4,103 |
| Comprehensive income attributable to minority shareholders | -- | -- |

(3) Consolidated Statements of Cash Flows

| | (Million yen) | |
|--|---|--|
| | Consolidated first half previous year (From April 1, 2013 to September 30, 2013) | Consolidated first half under review (From April 1, 2014 to September 30, 2014) |
| Cash flows from operating activities | | |
| Net income (loss) before taxes and other adjustments | 1,177 | 4,826 |
| Depreciation and amortization expenses | 519 | 528 |
| Increase (decrease) in allowance for doubtful accounts | 12 | -19 |
| Increase (decrease) in reserve for bonus payment | 25 | 40 |
| Increase (decrease) in reserve for retirement benefits | -2 | -- |
| Increase (decrease) in reserve for product warranties | -29 | -26 |
| Increase (decrease) in net defined benefit liability | -- | 15 |
| Interest and dividends received | -38 | -44 |
| Interest paid | 69 | 128 |
| Loss on retirement of fixed assets | 7 | 7 |
| Loss (gain) on sales of fixed assets | -59 | 28 |
| Loss (gain) on sales of investment securities | 271 | -2 |
| Loss on liquidation of business | -- | 16 |
| Foreign exchange losses (gains) | -178 | -330 |
| Decrease (increase) in trade notes and accounts receivable | 39 | -7,478 |
| Decrease (increase) in inventories | 1,283 | -1,738 |
| Decrease (increase) in advance payments | -3 | 65 |
| Increase (decrease) in trade notes and accounts payable | -399 | 1,909 |
| Decrease (increase) in consumption taxes refund receivable | 283 | 62 |
| Other | -268 | 634 |
| Sub total | 2,710 | -1,375 |
| Interest and dividends received | 38 | 38 |
| Interest paid | -67 | -121 |
| Corporate and other taxes paid | -842 | -1,378 |
| Cash flows from operating activities | 1,838 | -2,837 |
| Cash flows from investing activities | | |
| Payments into time deposits | -168 | -30 |
| Refund of time deposits | 76 | 87 |
| Expenditure for acquisition of tangible fixed assets | -561 | -703 |
| Proceeds from sales of tangible fixed assets | 79 | 9 |
| Expenditure for acquisition of intangible fixed assets | -11 | -382 |
| Proceeds from sales of investment securities | 614 | 2 |
| Other | 5 | 2 |
| Cash flows from investing activities | 33 | -1,013 |
| Cash flows from financing activities | | |
| Short-term borrowings | 5,101 | 4,638 |
| Repayment of short-term borrowings | -4,707 | -2,609 |
| Redemption of corporate bonds | -150 | -- |
| Proceeds from sales of treasury stock | 2 | 51 |
| Expenditure for acquisition of treasury stock | -615 | -265 |
| Dividends paid | -441 | -434 |
| Repayments of lease obligations | -5 | -6 |
| Cash flows from financing activities | -815 | 1,373 |
| Translation differences for cash and cash equivalents | 199 | 59 |
| Net increase (decrease) in cash and cash equivalents | 1,256 | -2,418 |
| Cash and cash equivalents at the beginning of the term | 5,296 | 6,044 |
| Cash and cash equivalents at the end of the term | 6,552 | 3,626 |

(4) Notes relating to the Consolidated Financial Statements

Notes relating to the going concern assumption
No corresponding item exists.

Notes for cases where shareholders' equity underwent a major change in value
No corresponding item exists.

Segment information

I. Consolidated first half previous year (From April 1, 2013 to September 30, 2013)

1. Information relating to net sales, income or loss by reportable segment. (Million yen)

| | Reportable segment | | | |
|--|--------------------|-------|-------------|--------|
| | Japan | China | South Korea | Total |
| Net sales | | | | |
| Net sales to external customers | 9,012 | 5,787 | 751 | 15,551 |
| Intersegment net sales or transfer to other accounts | 4,048 | 2,810 | 27 | 6,886 |
| Total | 13,061 | 8,598 | 778 | 22,438 |
| Segment income | -189 | 416 | 140 | 367 |

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

| Income | Amount |
|---|--------|
| Total income for reportable segments | 367 |
| Elimination of unrealized income and others | 424 |
| Operating income in quarterly consolidated statements of income | 792 |

 3. Information relating to impairment loss on fixed assets or goodwill, etc.
No corresponding item exists.

II. Consolidated first half under review (from April 1, 2014 to September 30, 2014)

1. Information relating to net sales, income or loss by reportable segment (Million yen)

| | Reportable segment | | | |
|--|--------------------|--------|-------------|--------|
| | Japan | China | South Korea | Total |
| Net sales | | | | |
| Net sales to external customers | 11,451 | 17,736 | 515 | 29,703 |
| Intersegment net sales or transfer to other accounts | 8,206 | 4,963 | 17 | 13,187 |
| Total | 19,658 | 22,700 | 532 | 42,891 |
| Segment income | 775 | 4,064 | 20 | 4,860 |

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

| Income | Amount |
|---|--------|
| Total income for reportable segments | 4,860 |
| Elimination of unrealized income and others | -104 |
| Operating income in quarterly consolidated statements of income | 4,756 |

 3. Information relating to impairment loss on fixed assets or goodwill, etc.
No corresponding item exists.

4. Supplementary Information

(1) Overseas net sales

Consolidated first half under review (From April 1, 2014 to September 30, 2014)

(Million yen)

| | Asia | America | Europe | Total |
|---|--------|---------|--------|--------|
| I Overseas net sales | 22,300 | 1,445 | 1,844 | 25,590 |
| II Consolidated net sales | | | | 29,703 |
| III Ratio of overseas net sales to consolidated net sales (%) | 75.1 | 4.9 | 6.2 | 86.2 |

(Note) 1. National or regional classifications are based on geographic proximity.

2. Major countries or regions in each classification

(1) Asia..... China, Thailand, South Korea, Singapore, the Philippines and India

(2) America.... the United States and Mexico

(3) Europe..... Switzerland, Germany, France and Italy

3. Overseas net sales refer to net sales achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(2) Net sales by machinery category

(Million yen)

| | Consolidated first half previous year (From April 1, 2013 to September 30, 2013) | | Consolidated first half under review (From April 1, 2014 to September 30, 2014) | | Year-on-year change | |
|--|---|--------|--|--------|---------------------|---------|
| | | % | | % | | % |
| Automatic lathes | 12,782 | 82.2 | 26,606 | 89.6 | 13,823 | 108.1 |
| Grinding machines | 1,456 | 9.3 | 1,433 | 4.8 | -22 | -1.5 |
| Machining centers | 648 | 4.2 | 712 | 2.4 | 64 | 9.9 |
| Rolling machines and specialized machines. | 496 | 3.2 | 780 | 2.6 | 284 | 57.3 |
| Other | 168 | 1.1 | 170 | 0.6 | 2 | 1.4 |
| Total | 15,551 | 100.0 | 29,703 | 100.0 | 14,152 | 91.0 |
| (Overseas net sales) | (12,711) | (81.7) | (25,590) | (86.2) | (12,879) | (101.3) |